



Decision on Final 2010 Budget

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The 2010 budget reflects continued focus on cost management.

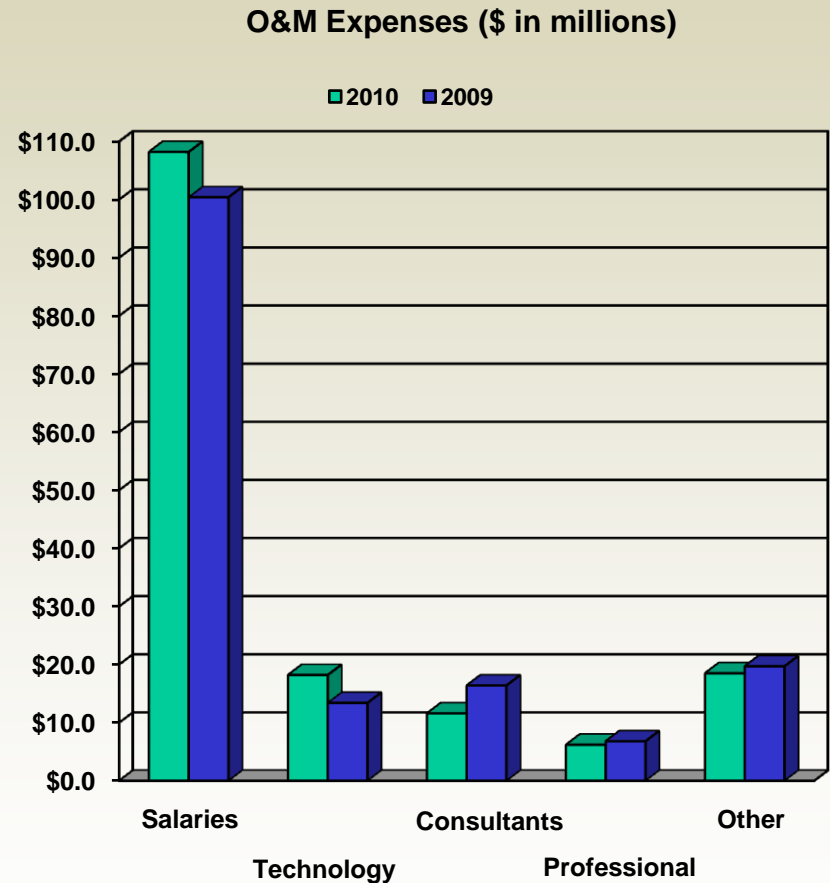
- Revenue requirement of \$195M
- Operations and maintenance costs of \$162.7M up 3.8%
- \$15M of capital will be funded through GMC
- Very modest debt service increase - \$1.6M
- Bundled GMC rate of about \$.79
- Implemented activity based accounting

The revenue requirement reflects the one-time GMC inflow and other credits.

Component (\$ in millions)	2010	2009	Change
O&M	\$162.7	\$156.7	\$6.0
Expense recovery	(8.1)	(6.1)	(2.0)
Debt service	61.0	59.4	1.6
Out of pocket capital	15.0	-	15.0
Revenue credit	(35.5)	(17.0)	(18.5)
Total	\$195.1	\$193.0	\$2.1
Transmission volume in GWh	246.0	248.6	(2.6)
Pro forma rate in \$ per MWh	\$0.793	\$0.776	\$0.017

Overall, O&M is up \$6M or 3.8%.

- Personnel costs are up \$7.8M
- Technology maintenance costs up \$4.8M
- Consultants & contractors are down \$4.8M
- Professional fees (legal) is down \$0.6M
- Other costs down \$1.3M



The divisional changes are largely driven by personnel costs.

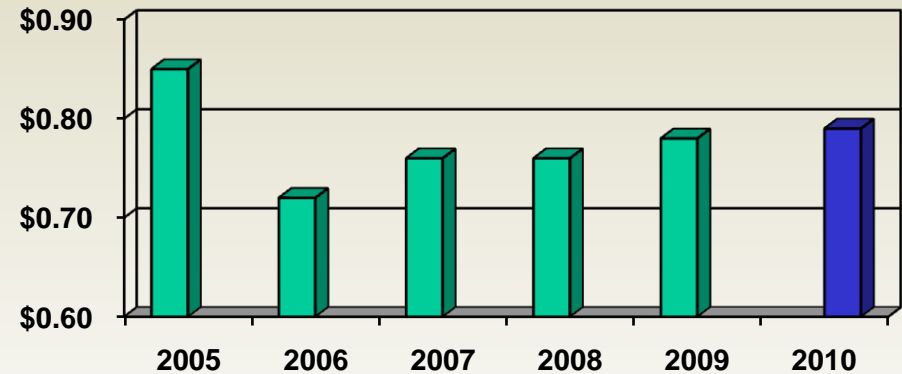
\$ in millions

Division	2010 Budget	2009 Budget	\$ Change	% Change	Comment
CEO	\$6.5	\$6.1	\$ 0.4	6.6%	Personnel cost and consulting increases
HR	\$6.1	\$5.9	\$ 0.2	3.4%	Personnel cost increases offset by lower relocation and recruiting
MID	\$14.1	\$15.7	\$(1.6)	(10.2)%	Transfer of engineers to Operations and lower consulting
Corporate Services	\$65.4	\$65.0	\$ 0.4	0.6%	Technology contract increases offset by lower personnel costs and consulting
Operations	\$49.0	\$43.8	\$ 5.2	11.9%	Transfer of engineers from MID and anticipated overtime mitigated by lower consulting
Legal	\$12.7	\$12.2	\$ 0.5	4.1%	Personnel costs increases offset by lower outside legal cost
External Affairs	\$8.9	\$8.0	\$ 0.9	11.2%	Increased personnel costs

2010's bundled rate of \$0.79 reflects a one cent increase over 2009.

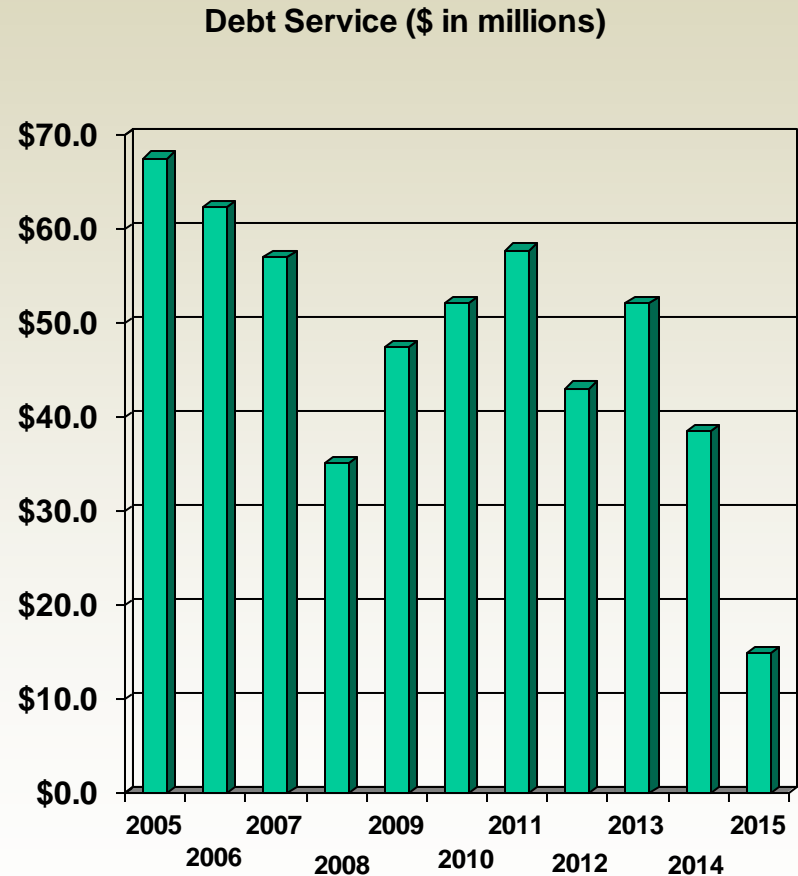
- Goal is a relatively stable bundled rate
- We have a large one-time inflow of GMC (\$15M) due to payment acceleration in 2009
- Revenue credit from FERC interest refund case (\$4M)
- Anticipate a revenue requirement of \$195M
 - Includes O&M, capital spending and debt service
 - \$2M under \$197M rate cap
 - \$2.1M increase over 2009
- Transmission volume decrease of 1% to 246 GWh reflects slowdown in economy

Bundled Rates



We will experience a small debt service increase for 2008 bonds but not for 2009 bonds.

- 2008 bonds included in GMC through 2013
- 2008 bonds paid off in 2014
- 2009 facility bond payments made from interest reserve until 2012
- 2009 facility debt annual debt service of \$14.9M from 2012 to 2039 (with option to refinance after 5 years)

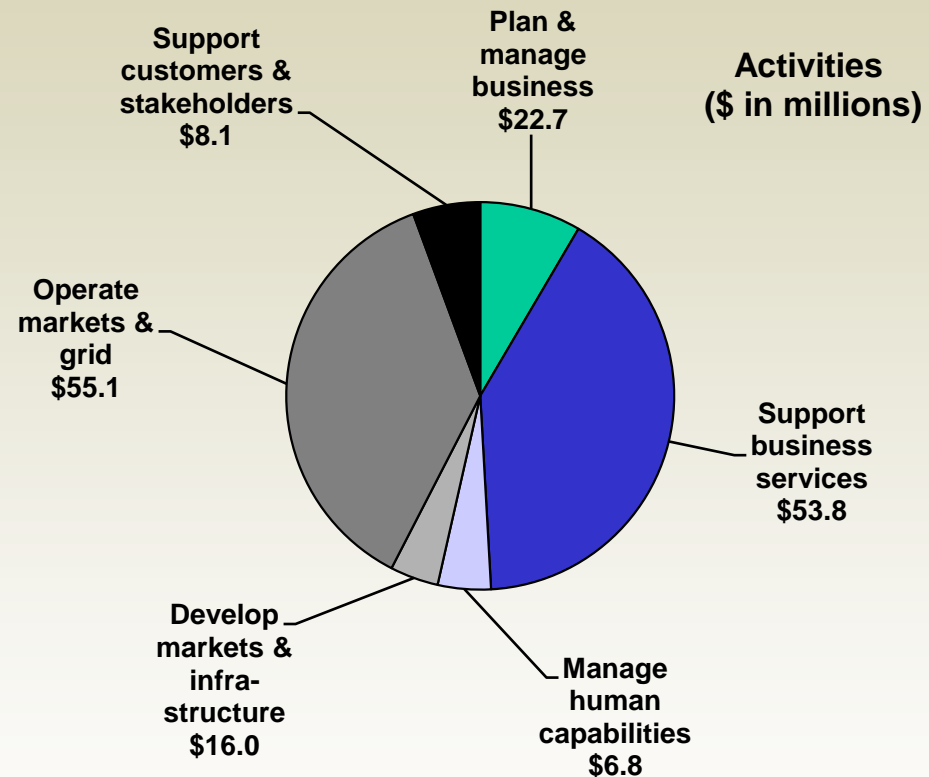


2009 capital will be financed through GMC and bond funds

- Total non-facility spending targeted at \$31M for further market enhancements and routine capital
 - Multi-stage modeling
 - Scarcity pricing
 - Convergence bidding
 - Proxy demand response
 - Standard capacity product
 - Hardware/software upgrades
- Capital will be funded through revenue credits of \$15M and \$16M from 2008 bond proceeds

For the first time, we are leveraging activity based costing to analyze the budget.

- Activity based costing (ABC) commenced third quarter of 2009
- Ten core end-to-end processes identified
- Aggregated into six activities
- ABC will provide insight into resource utilization



Key GMC rates are projected to change based on the new market and lower volumes.

Rate	2010 Rate	2009 Rate	\$ Change	% Change	Comment
Core reliability service - on peak	\$78.51	\$70.28	\$8.23	11.7%	Lower volumes projected for 2010 & under collection in 2009
Energy transmission service – net energy	\$0.31	\$0.30	\$ 0.01	3.3%	Under collection in 2009
Energy transmission service – deviations	\$1.16	\$1.02	\$0.14	13.7%	Lower volumes projected for 2010 & under collection in 2009
Forward scheduling	\$1.71	\$1.10	\$0.61	55.5%	Lower volumes projected for 2010 & under collection in 2009
Market usage - A/S & real time energy	\$0.23	\$0.59	(\$0.36)	(61.0)%	Higher volumes projected for 2010 and over collection in 2009
Market usage – forward energy	\$0.06	\$0.43	(\$0.37)	(86.0)%	Restructuring of rate which added additional volumes in 2010

Rates shown for those that make up 94% of revenue requirement.

We extended our rate settlement another year.

- GMC extension for one year with same \$197M revenue requirement cap
 - Restructured market usage forward energy rate
 - Comments filed at FERC but no protests
- Budget workshop held October 1 with stakeholders
- No written budget comments received